

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16883
October 28, 2004**

R E S O L U T I O N

Resolution T-16883. Approval of the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Expense Budget for July 1, 2005 Through June 30, 2006 to Comply with the Requirements of Public Utilities Code Section 270 (A).

Summary

This resolution adopts an expense budget of \$ 448.457 million for Fiscal Year (FY) 2005-06 for the California High Cost Fund-B (CHCF-B) program.

Background

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of SBC California. Verizon of California, Surewest Telephone, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

On May 27, 2004, in compliance with Paragraph 4.a.1 of the CHCF-B AC Charter, the Chairperson of the CHCF-B Administrative Committee (AC) submitted, to the Director of the Telecommunications Division (TD), an expense budget for Fiscal Year (FY) 2005-06 (July 1, 2005 to June 20, 2006) in the amount of \$ 448.886 million. The Chairperson's request was made in her personal capacity since the CHCF-B AC was unable to vote on this item for lack of a quorum of members without a conflict of interest.

Notice/Protests

Notice of the CHCF-B AC Chairperson's expense budget letter was published in the Commission Daily Calendar on September 16, 2004.

The Commission did not receive any protests or comments on this matter.

Discussion

In this Resolution, the Commission adopts the CHCF-B expense budget for FY 2005-06 in the amount of \$448.457 million.

Appendix A shows a comparison of the CHCF-B AC Fund Adopted and actual FY 2003-04 Expense Budgets, the FY 2004-05 Approved Expense Budget, and the FY 2005-06 Expense Budget as proposed by the Telecommunications Division (TD).

Although the CHCF-B AC Chairperson submitted a proposed \$448.866 million FY 2005-06 CHCF-B AC Fund expense budget to the Director of TD, this budget was never adopted and approved by the CHCF-B AC for lack of a quorum of members without a conflict of interest issue caused by Government Code § 1090 and the Fair Political Practices Act. Instead, TD proposes a FY 2005-06 expense budget of \$448.457 million as shown in Appendix A of this Resolution.

The proposed FY 2005-06 CHCF-B AC Fund Expense Budget is for \$448.457 million. This includes: \$443.00 million for claim payments to 8 claimants; \$1.2 million for financial, compliance, claims and surcharge remittance audits; \$50,000 for banking fees; \$2,000 for Advisory Committee expenses; \$555,000 for Staff and Administrative Costs; \$2.6 million for Inter-agency costs; and \$50,000 for Data Processing Automation expenses (SQL programming and maintaining the electronic and monitoring system).

TD's proposed expense budget for FY 2005-06 is reasonable and should be adopted.

Comments

In compliance with PU Code § 311 (g), a notice letter was e-mailed on September 28, 2004 to the CHCF-B claimants, the CHCF-B AC, and the parties who informed TD to continue on the service list of R.95-01-020/I.95-01-021 informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov/static/industry/telco/proceedings/resolutions/index.htm>

and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

Comments filed on a timely basis will be addressed by TD in this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code § 270(b) requires that the monies in California High Cost Fund-B (CHCF-B) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. On May 27, 2004, the Chairperson of the California High Cost Fund – B AC, in her personal capacity, filed a CHCF-B AC Fund expense budget of \$448.866 million for July 1, 2005 through June 30, 2006. This budget was not voted on by the CHCF-B AC for lack of a quorum of members without a conflict of interest.
4. The Expense Budget for the CHCF-B AC Fund for FY 2005-06 of \$448.457 million, as set forth in Appendix A of this resolution, is reasonable and should be adopted.
5. Copies of the notice letter advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were e-mailed to the CHCF-B claimants, the CHCF-B AC, and the parties who informed TD to continue on the service list of R.95-01-020/I.95-01-021, on September 28, 2004.

THEREFORE, IT IS ORDERED that:

1. The expense budget for the California High Cost Fund-B Administrative Committee Fund for FY 2005-06 of \$448.457 million, as set forth in Appendix A of this resolution, is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 28, 2004. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
EXPENSE BUDGET FOR FY 2005-06
All Amounts in (\$000)

Program Expenses	July 2003-June 2004		July 2004-June 2005	July 2005 - June 2006		Notes
	Adopted per Res T-16794	Actual ¹	Adopted per Res T-16794 ¹⁰	Proposed	Adopted per Res T-16883	
a	b	c	d	e	f	
a Carrier Claims (Current)	\$ 475,000	\$ 460,739	\$ 433,000	\$ 443,000	\$ 443,000	2
b Carrier Claims for prior years	\$ 39,000	\$ 38,120				
c Interest Payments	\$ 1,000	\$ 5,017	\$ 1,000	\$ 1,000	\$ 1,000	
d Other Legislative Mandated Programs/Other Program Payments	\$ -	\$ -	\$ -			
e Administrative Committee-Per Diem	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	3
f Administrative Committee-Travel and Others	\$ 1	\$ -	\$ 1	\$ 1	\$ 1	4
g Administrative Committee-Special Needs Accommodation/Telephone	\$ -	\$ -	\$ -			5
h Financial Audit	\$ 100		\$ 100	\$ 100	\$ 100	
i Compliance Audit	\$ 500		\$ 500	\$ 300	\$ 300	
j Surcharge Remittance Audit	\$ 600	\$ 120	\$ 600	\$ 400	\$ 400	
k Carrier Claim Audit	\$ 900	\$ 95	\$ 900	\$ 400	\$ 400	
l Banking Fees	\$ 23	\$ 30	\$ 50	\$ 50	\$ 50	6
m Inter-Agency Fee	\$ 3,347	\$ 3,327	\$ 2,588	\$ 2,600	\$ 2,600	7
n CPUC Staff and Administrative Costs		\$ 143	\$ 103	\$ 555	\$ 555	8
o Data Processing Automation	\$ -	\$ 6	\$ 50	\$ 50	\$ 50	9
p Total Program Expenses	\$ 520,472	\$ 507,597	\$ 438,893	\$ 448,457	\$ 448,457	

Notes

1 Based on Certification of Year-end Financial Reports for Fiscal Year ending June 30, 2004 submitted on August 16, 2004 to the State Controller.

Actual current claim for FY 2003-04 of \$460.739 million consists of: Actual claim payments of \$350.415 through June 30, 2004 plus claims for \$110.323 million for April through June 2004 that were paid subsequently.

2 Claim payments for FY 2005-06 are based on projections submitted by utilities in April 2004.

3, 4 & 5 Pursuant to D. 02-04-059, per diem and other costs are authorized for committee member attendance in the CHCF-B AC meeting. It is assumed there will be one meeting a year.

6 This represents lockbox and access fees.

7 This is for pro-rata costs allocated to state service agencies, e. g. DGS, State Personnel Board, etc.

8 This represents CPUC CHCF-B staff and administrative costs.

9 This represents costs for SQL programming and maintaining the electronic filing and monitoring system.

10 The FY 2004-05 State Budget appropriated 482.384 million for the California High Cost Fund-B Administrative Committee Fund (Senate Bill 1113, Stats. 2004, Chapter 208).